

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1649

Bill Subtitle: TO AMEND THE SALES AND USE TAX EXEMPTION FOR NEW MOTOR VEHICLES PURCHASED BY NONPROFIT ORGANIZATIONS OR WITH URBAN MASS TRANSIT ADMINISTRATION FUNDS.

Basic Change :

Sponsor: Representative C. Douglas

HB1649 would amend § 26-52-420 which provides a sales tax exemption for the purchase of new motor vehicles by nonprofit organizations or purchases of new motor vehicles using Federal Transit Administration funds when the use of the vehicles is to provide transportation services under contracts with the Department of Human Services for the Department's programs for the aging, disabled, mentally ill, and children and family services.

Under current law, the sales tax exemption only applies when the organization purchases the vehicles in lots of ten (10) or more. The bill would remove the ten vehicle requirement and allow the exemption regardless of the number of vehicles purchased at one time.

The proposal also makes technical corrections to reflect that "Urban Mass Transit Administration" is currently known as the Federal Transit Administration, and that the vehicles purchased must at least meet, instead of exceed, the state specifications in the state purchasing law.

The Act would be effective on the first day of the calendar quarter following the effective date of the Act.

Revenue Impact :

FY 2018 Total Impact to State Revenues	-\$19,500
[9 Months of Reduced Tax Collections --- Est. 10/1/2017 Effective Date]	
-\$ 13,068 ---State General Revenue (4.5%)	
-\$ 2,541 ---Educational Adequacy (.875% tax)	
-\$ 1,452 ---Property Tax Relief Trust Fund (.5%)	
-\$ 363 ---Conservation Tax (.125%)	
-\$ 1,452 ---Highways (.5%)	
-\$ 0 ---Educational Excellence Trust Fund	
-\$ 0 ---Educational Adequacy (GR transfer)	
-\$ 429 ---State Central Services	
-\$ 195 ---Constitutional Officers	

FY 2019 Total Impact to State Revenues	-\$26,000
-\$ 14,742 ---State General Revenue (4.5%)	
-\$ 3,388 ---Educational Adequacy (.875% tax)	
-\$ 1,936 ---Property Tax Relief Trust Fund (.5%)	
-\$ 484 ---Conservation Tax (.125%)	
-\$ 1,936 ---Highways (.5%)	
-\$ 2,464 ---Educational Excellence Trust Fund	
-\$ 218 ---Educational Adequacy (GR transfer)	
-\$ 572 ---State Central Services	
-\$ 260 ---Constitutional Officers	

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Taxpayer Impact :

Nonprofit organizations purchasing new motor vehicles for purposes of fulfilling transportation contracts with the Department of Human Services would be exempt on the purchases regardless of the number of motor vehicles purchased at any one time.

Resources Required :

Modification of the Motor Vehicle registration system to identify exempted vehicles.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

None.

Other Comments :

None.

Legal Analysis :

HB1649 provides that new motor vehicles purchased with Federal Transit Administration funds are exempt from Arkansas sales and use tax, regardless of how many vehicles are purchased at a given time. Current law provides that the sales or use tax exemption for these vehicles is available only if Federal Transit Administration funds are used to purchase vehicles in lots of ten or more vehicles at a time so that the vehicles are purchased at fleet price by the manufacturer.

HB1649 also replaces references in current law to the "Urban Mass Transit Administration" with references to the "Federal Transit Administration". This change recognizes that the name of the Urban Mass Transit Administration was changed to the Federal Transit Administration in 1991.